

“BNA Fixed Assets Enterprise saved us a month’s work for tax preparation and filings.”

—Julie Burns, Federal Tax Manager, PotashCorp

BNA Fixed Assets™ Lightens the Load for Fertilizer Giant, PotashCorp

With BNA Software, PotashCorp can now calculate U.S. tax depreciation in a third of the time it used to take



Challenge:

To find an easy-to-use system that reduces the effort to calculate U.S. tax depreciation for PotashCorp’s legal entities

Solution:

BNA Fixed Assets Enterprise—a Web-based, hosted solution

Results:

PotashCorp cut four weeks off the tax preparation process and improved accuracy and reliability of information

PotashCorp is the world’s largest fertilizer enterprise, producing the three primary plant nutrients: potash, phosphate and nitrogen. For tax purposes, PotashCorp’s 35 U.S. locations are combined into eight separate legal entities based on what product is being produced. Consolidating fixed assets information for these legal entities and preparing eight separate tax filings was taking more than six weeks and a tremendous effort for the tax staff at PotashCorp’s U.S. headquarters.

Overly Complicated Tax Preparation for Fixed Assets

For book purposes, PotashCorp’s fixed assets software met accounting’s needs for straight line depreciation and units of production, but it was not as effective in meeting U.S. tax requirements.

One of the key issues was the way PotashCorp needed to consolidate its asset information: by legal entity, with multiple plants making up an entity. With the software PotashCorp was using, the tax department had to run depreciation for tax purposes every month for every database at each plant location in order to compare AMT and regular tax at year end. “This very time-consuming process required the tax department to run 840 reports for regular tax and AMT. It took weeks to do this—it was an inefficient use of time,” said Julie Burns, Federal Tax Manager at PotashCorp.

Compounding the problem was the fact that the databases didn’t roll up automatically into a legal entity. This part was done manually by Burns and her staff by running additional

reports, extracting information, and then entering the information into Excel to perform AMT and tax calculations.

In addition to the cumbersome consolidation process, there were other issues with the solution that were causing tedious manual work:

- Any changes made to the databases meant re-running reports, extracting the data again, and reentering and recalculating in Excel for that particular location
- Incorrect asset entries couldn’t be deleted, resulting in workarounds
- Manual changes and workarounds triggered additional effort to thoroughly document the adjustments for Sarbanes-Oxley compliance
- No what-if or forecasting capabilities meant guesswork on depreciation and tax planning

Justifying a New Solution

After the 2003 filing season, the tax department decided it was finally time to act, so it set out to justify the expenditure of a new U.S. tax fixed assets solution to senior management. Over the next several months, Burns and her department head documented the reasons why the current solution didn’t meet the tax department’s needs. They also defined what they needed in a new solution.

Once a business case was made that identified the deficiencies and resulting extra effort, the green light was given for the tax department to

PotashCorp Company Snapshot

- The world's leading producer of potash, commonly used as fertilizer
- Also produces nitrogen (used in fertilizer and a variety of industrial and consumer products) and phosphate (for feed products, food products, and detergents)
- 2010 revenue: \$6.5 billion
- Fixed assets: About 40,000 across all locations
- Employees: 4,906

evaluate new software. The key criteria for the new solution were:

- The ability to consolidate by legal entity
- Accuracy of calculations
- Ease of use

A solution meeting these criteria would save extensive effort, improve reliability, and allow more time for researching and identifying potential areas of tax savings for PotashCorp.

BNA Fixed Assets Enterprise Beats the Competition

After evaluating three different fixed assets solutions, PotashCorp chose the Web-hosted BNA Fixed Assets Enterprise solution. BNA was the only system that met all of PotashCorp's requirements, providing the flexibility and customization to support the consolidation the tax department needed. Plus, hosting by BNA meant that very little IT support would be necessary to support the new system.

"BNA Fixed Assets Enterprise lets me set up groups to support legal entities. Now we can set up each database as a legal entity and run depreciation and reports for each entity rather than each plant. BNA automatically does the consolidation for me," said Burns.

Significant Time and Labor Savings with BNA

PotashCorp found BNA Fixed Assets Enterprise to be much more intuitive to learn and use than the previous solution. This ease-of-use combined with BNA's enterprise functionality enabled PotashCorp to reduce the amount of time it takes to calculate tax depreciation from six weeks down to two weeks. "We saved a month's worth of work *and* improved our accuracy with BNA," said Burns.

In the previous system, PotashCorp was unable to delete asset entries that were inadvertently added. That meant retiring or disposing of the asset once the mistake was discovered. However, the old system calculated a loss on the retirement—which was incorrect. These errors resulted in PotashCorp having to extract the information to Excel, manually delete assets from the database that shouldn't have been entered, and then document the changes for Sarbanes-Oxley compliance.

No More Provisioning Guesswork

Before BNA, U.S. tax depreciation projections involved extreme efforts. Now running depreciation, doing projections, and performing what-if scenarios to improve decision-making are all fast and easily done with BNA. Burns and her staff are now able to do tax depreciation and forecasting with ease and accuracy.

Sarbanes Compliance Process a Snap

BNA Fixed Assets Enterprise has also meant a speedier Sarbanes-Oxley compliance process for PotashCorp—an area that can also be extremely resource intensive. Now that manual interventions are no longer necessary, the integrity of the financial process is enhanced and the reliability of information in the system has improved.

More Time for Strategy

With the new system from BNA Software, tax depreciation for each of PotashCorp's legal entities is now streamlined and automated, with greater accuracy and reliability. This has freed Burns and her staff in the tax department to spend more time researching and implementing tax optimization strategies.

About BNA Software

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